

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 DODE-00

PM-04 H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 /100 W

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R 231157Z DEC 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8758

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT POUCH

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

C O N F I D E N T I A L CAIRO 12929

EO 11652: GDS

TAGS: EFIN, EG

SUBJECT: PEOPLES ASSEMBLY COMMITTEE COMMENTS ON 1976 DRAFT BUDGET

REF: CAIRO 12780 (NOTAL)

1. EGYPT CONTINUES TO BOWL ON WICKET OF ARAB RESPONSIBILITIES
IN SHARING WAR COSTS INCURRED SINCE 1967. PEOPLES
ASSEMBLY PLAN AND BUDGET COMMITTEE REPORT ON DRAFT 1976
GOE BUDGET, SUBMITTED TO FULL ASSEMBLY DECEMBER 22,
ECHOES EARLIER MINFIN STATEMENTS IN THIS REGARD NOTING
CONTRIBUTION OF FUNDS BY ARAB COUNTRIES (PRESUMABLY
LE 1,600 MILLION IN SOFT LOANS DURING 1975) REPRESENTS ONLY
TEN PERCENT OF LOSSES BORNE BY COUNTRY (SEE REFTEL). COMMITTEE
REPORT IMPLIES THIS LACK OF SUPPORT IS PARTICULARLY LAMENTABLE
IN VIEW OF ACHIEVEMENT OF OCTOBER WAR IN RAISING ARAB NATIONS
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TO RANK OF "SIXTH WORLD POLITICAL POWER." REPORT CALLS

FOR POSITIVE ARAB ASSISTANCE IN MEETING EGYPT'S LARGE
BALANCE OF PAYMENTS DEFICIT.

2. COMMITTEE ALSO INTER ALIA RECOMMENDED IMPLEMENTATION
OF PARALLEL MARKET RATHER THAN "OWN CURRENCY" MECHANISM
AS MEANS TO CARRY OUT IMPORT PROGRAM, TO BE FOLLOWED
IN TIME BY FREE EXCHANGE RATE UNDER CENTRAL BANK SUPERVISION;
ENCOURAGEMENT OF DOMESTIC SAVINGS; ESTABLISHMENT OF
DEVELOPMENT BANKS SIMILAR TO THOSE IN FRG; DEVELOPMENT
OF FINANCIAL MARKET THROUGH MORE ACTIVE STOCK EXCHANGE;
AND IMPROVEMENT OF PLANNING AND BUDGETING PROCEDURES.
ASSEMBLY DISCUSSION OF REPORT IS DUE TO BEGIN DECEMBER 2.

3. COMMENT. CUTTING THROUGH PREDICTABLE VERBIAGE
AND STATISTICAL THICKETS, COMMITTEE DOCUMENT, AS REPORTED
IN PRESS, GIVES IMPRESSION OF IMPARTING CONSIDERABLE
MEASURE OF EXHORTATION TO EXECUTIVE, IF NOT (WITHIN LIMITS)
DOWNRIGHT CRITICISM. POTENTIALLY MOST SIGNIFICANT OF
COMMITTEE'S RECOMMENDATIONS CONCERNS LOOSENING OF
FOREIGN EXCHANGE CONTROLS, BUT A NUMBER OF OTHER POINTS
RELATE BROADLY TO NEED FOR GOVERNMENT TO IMPROVE ITS
PERFORMANCE IN ECONOMIC SPHERE. REPORT STATES,
FOR EXAMPLE, OPEN DOOR POLICY SHOULD BE ESTABLISHED
FACT, RATHER THAN SERIES OF STATEMENTS; NOTES 1974-1975
TRANSITIONAL PLAN HAS NOT MET ITS OBJECTIVES; AND AVERS
THAT BUDGET DOES NOT BEAR SUFFICIENTLY ON PROBLEM OF
IDLE INDUSTRIAL CAPACITY. SEVERAL OTHER SECTIONS OF REPORT
ARE IN SIMILAR VEIN.

4. PM SALEM REPORTEDLY REACTED IN ASSEMBLY TO COMMITTEE
REPORT IN GENERALLY APPROBATORY FASHION, COMMENTING THAT
THERE ARE DIFFERENCES OF OPINION ON POLICY IN ECONOMIC
DEVELOPMENT PROCESS OF OPINION ON POLICY IN ECONOMIC
DEVELOPMENT PROCESS AND GOVT IS IN ACCORD WITH SOME
ISSUES RAISED BY COMMITTEE. NO DOUBT PM IS CONFIDENT
BUDGET WILL EMERGE FROM ASSEMBLY ON SCHEDULE WITH ONLY
FEW MINOR MODIFICATIONS. NEVERTHELESS LEGISLATURE, AS
REPRESENTED BY PERTINENT COMMITTEE AT LEAST, THROUGH
MEDIUM OF 1976 BUDGET FORMULATION SEEMS TO BE INVOLVING
ITSELF MORE ACTIVELY IN ECONOMIC POLICY QUESTIONS THAN HAS
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BEEN CASE IN RECENT PAST.
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